

2004 STATE OF THE TOWN ADDRESS

“Doing Good Things In Tough Times”

Delivered by Mayor Steve Glickman on Monday, February 9, 2004

Good evening.

Honored guests, Council Members, Town Staff, and fellow residents of the Town of Los Gatos. I am Mayor Steve Glickman, and I am pleased to present the 2004 State of the Town.

In 1859, Charles Dickens began his "Tale of Two Cities" by saying: "It was the best of times, it was the worst of times." In 2004, in the State Capital, fiscally it is the worst of times. The State of California currently has a projected \$25 billion budget deficit.

In our Town of Los Gatos, it is not the best of times fiscally either. We face challenges in that area, but we have many assets, many strengths, many things for which to be thankful, and many things of which to be proud.

- I will tell you about the budget challenges, and how we will meet them.
- I will remind us of our community strengths, and how we will preserve and enhance them.
- And I will tell you about our goals for this year.

Our Challenges

Let me begin with the Town budget and our current challenges:

Financially, our Town remains on solid ground, yet we continue to be challenged by the recession and its effects on local revenues and by the uncertainty associated with the State budget crisis.

Why do I say that? We remain on solid ground during these fiscally tough times because we were prudent during the good times – rather than spending our excess revenue like the State did, the Town dedicated a portion of its surplus to reserves, which currently total \$10.9 million, of which \$3.7 million is uncommitted in our Fund for Economic Uncertainty. We also used about \$11 million of the surplus to make long term investments in the community's infrastructure – such as our roads, bridges and sidewalks.

Yet, we are experiencing fiscal challenges as a result of the slow economy over the last few years. Impacts of the continuing recession have weakened the Town's general fund revenues – specifically in our economically sensitive revenues like sales tax, property tax, interest income, business license fees, hotel/motel tax, franchise fees, and vehicle license registration fees – otherwise known as the “car tax.”

On top of this local economic challenge is the State budget crisis. Right now, the State is considering taking some or all of local governments' car tax revenue. For the Town, this could mean a loss of up to \$1.8 million.

The Town's property tax revenue is also in jeopardy – a potential takeaway of \$400,000 is being proposed by the State in its latest budget plan. This is significant as the Town only receive 13 cents per every dollar of property tax paid by local residents.

Since 2001, when the signs of the “dot com” bust were beginning to appear, the Town made operating expense reductions totaling nearly \$3.0 million. We did this through expenditure slowdowns, selective hiring freezes, and operational efficiencies.

Although these responsible efforts have helped us to contain costs, the cumulative effect of the recession combined with possible State budget takeaways will likely require deeper cuts in our budget.

Today, our projections for FY 04-05 which begins July 1st indicate we are short \$1.4 million, assuming no State takeaways. If there are State takeaways, we are facing a revenue reduction of as much as \$3 million annually. That represents about 12% of our \$24 million budget.

To address this challenge, the Town is developing two budget reduction plans – one at 6% and one at 12%. The Council will discuss these scenarios at a special Study Session on Tuesday, February 24th.

Impact on the Community

What does this mean for the Los Gatos community? Although these plans are still evolving, it is likely that the proposals to be considered will impact community services. For example, a reduction in library hours and service, increases in police response time to non-emergency calls, deferred park and tree maintenance, and delays in public works projects such as street resurfacing.

These service reductions would occur as a result of reductions in our major expense areas. We are in the service business, and labor is by far our greatest expenditure. We will be looking at layoffs and further reductions in supplies, materials, training and overtime.

We are also looking for new revenue opportunities, such as ensuring that the fees we charge for development services are based on cost recovery from the developer, rather than being subsidized by the general public.

The real challenge is predicting the depth and duration of the current economic downturn and the impacts on local government due to the state's fiscal difficulties.

If they are temporary, then it is appropriate to use some combination of year-end savings and part of our reserves to bridge us over the downturn. That is, after all, one of the purposes of our reserves: to keep our Town running smoothly.

But if these changes to the fiscal picture are more permanent in nature, then it is not wise to spend down our reserves just to postpone the inevitable. In that case, we must restructure the services we provide to align with the revenue we receive. We have seen the problems our state got into, going from an ample surplus to a deep deficit in an attempt to "bridge the brownouts."

In the coming weeks, the Council and staff will be carefully reviewing our financial position, and choosing a course that balances our desires with our fiscal reality. The Study Session on February 24 will be the Council's first opportunity to discuss budget balancing alternatives and recommendations for FY 04-05.

Those are the challenges. We will meet them. As we do, we will also continue to enjoy our community's strengths and advantages.

Doing Good Things in Tough Times – Using Our Strengths

Redevelopment

One of our more significant community strengths is the Town's Redevelopment Agency, which was formed after the 1989 earthquake to repair the downtown. Although some of these funds may also be in jeopardy due to State takeaways, to-date the Agency has enabled the Town to complete much needed downtown street improvements and to renovate Town Plaza Park.

The advantage of having a Redevelopment Agency is that all of the increase in property tax from that area goes to our town and to local schools, unlike the bulk of our local property tax, which is distributed among many entities including the state.

The property tax increment must be spent in the Redevelopment area – in our case, the Downtown. And it can only be spent on public works, capital projects, and economic vitality – not on maintenance or operating expenditures.

One final important fact is that 20% of Redevelopment money must be spent on providing affordable housing, which may be outside the Redevelopment area. Some of our recent affordable housing projects include the Habitat for Humanity Home and the completion of a low-income senior group home through a partnership with Project Match. The Town of Los Gatos is committed to providing affordable housing in our community, as part of our fair share for the region.

Los Gatos continues to be a desired destination for people to live, work, and shop. We have our small town charm, lively downtown, rich history, friendly residential neighborhoods, great schools, beautiful setting, and convenient location. We will continue to enjoy these assets, and we will continue to preserve and enhance them.

As just one example, the Town Council recently adopted a comprehensive set of standards and guidelines to protect our beautiful hillsides.

Our need to increase revenue to pay for local services, to promote the vitality of our local businesses, and to preserve and enhance our assets brings me to the first of our goals for the coming year:

Economic Vitality and Marketing the Town

In partnership with our local merchants, our hotels, restaurants, wineries, car dealers, realtors, and the Chamber of Commerce, the Town is going to step up efforts to strengthen our economic base. We're going to do this by encouraging people to shop, dine, and stay in Los Gatos. One of the major sources of our town's revenue is sales tax. Our town gets a penny of every taxable dollar spent in town.

First, we will remind the Los Gatos community to "Shop Los Gatos." Whether buying a car, or a tank of gas for that car, we will encourage Los Gatos residents to buy it in Los Gatos.

Next, we want to encourage our neighbors in the region to shop and dine in Los Gatos, and to discover the unique qualities of our charming Town. An important source of revenue I mentioned earlier is the Hotel/Motel Tax. So we'd also like to encourage visitors from throughout Northern California (and beyond) to make Los Gatos their destination, and to plan their overnight stay here. This will help our town's finances, support our local merchants, and keep our town's economic base strong.

Another step is to encourage homebuyers to consider buying a home in Los Gatos. We know that our town is a wonderful place to live, and we think that homebuyers will agree. This will also help the Town's finances, as a share of any increase in property taxes comes back to the local government to support local services.

To further this goal, I will meet regularly with our local realtors. They are our most direct link to both current, and potential new, residents. Positive or negative, I want to know what the realtors are hearing.

We will pull through these challenging economic times because we are a community and we will pull together.

Strengthening our Youth

Another goal for the next year focuses on our young people. Our young people are one of our greatest assets.

Their actions, their abilities and their hard work make our schools, our teams, and our town, the envy of all who know us. They are one of the main reasons our town is such a desirable place to live and raise families. We all derive a tangible and significant benefit from their positive reputation.

Our focus on youth includes the following specific goals:

- More recreational facilities, for team sports like soccer, and for individual sports like skating.
- Better communication and increased involvement between our young citizens and their town.
- Building better partnerships between our young people and our public safety department.

As a first step towards more recreational facilities, the Town Council has directed staff to study land that the town owns near our Public Works facility on Miles Avenue, and report on how it could be used for skate boarding and other sports. We have been trying to identify such a site for a long time, and the Town Council just took a major step in that direction.

To enhance communication and civic involvement, the Town Council intends to create a Youth Commission. The role of all of our town commissions, like our Park Commission, or our Planning Commission, is to be the direct connection between town government and the people of the town. Each town commission focuses on a specific area of interest. The members of the Youth Commission will be young residents of our town. They will focus on youth-oriented issues, and will be the spokespersons for their peers. The voices that advocate for our young people must be the voices of our young people.

To work on building better partnerships between our kids and our cops, I will suggest assigning Police Chief Scott Seaman to be responsible for liaison with the Youth Commission. If you see young people wave at a passing Los Gatos police car, because they recognize the officer, then we will have achieved a step toward that goal.

These efforts on behalf of Los Gatos youth recognize how important they are to the future of Los Gatos. I am reminded of that as I walk across the campus of Fisher Middle School every morning, where I teach a computer class. I know that anyone who walks through that sea of over a thousand of our kids, will share my joy at being with them, and my pride at having such great kids in my town.

Conclusion

In 1974, President Ronald Reagan quoting Pilgrim John Winthrop in 1630, spoke of “A Shining City Upon A Hill.”

In 2004, Los Gatos is a Shining Town in the Foothills, a gem of a traditional small town in the heart of the modern Wonder of the World known as Silicon Valley. We are very fortunate to live here, and I am very honored to be your Mayor.

Our town's finances are strong, and are well and prudently managed. Our streets are safe and well maintained. Our schools are safe and deservedly well renowned. Our town staff is professional, competent and courteous. Our traditions are strong and well preserved. Our assets, like our thriving downtown, our historic areas, our strong neighborhoods, and our beautiful surroundings, are valued and well protected. Our senior citizens, and our young citizens, are honored, respected, and well served. Our goal is that they, and all our citizens, be even better served.

That is my goal as your Mayor, and that is the standard by which I will be judged. The state of our town is strong. We have challenges which we will meet. We have joys which we will share. And we will do these things together.

Thank you and good night.